



OBTAINING A B&I GUARANTEED LOAN

Business & Industry (B&I) Processing Guide and Application Checklist

USDA Rural Development's Business & Industry (B&I) Guaranteed Loan Program helps rural businesses by guaranteeing the loans of commercial lenders who might not otherwise extend credit. The B&I guarantee is an incentive to spur business lending in rural areas.

ATTENTION BUSINESSES!

The B&I program is fundamentally a lender-driven process. USDA cannot consider a B&I proposal in detail until a lender expresses serious interest in the project. Nevertheless, USDA will gladly discuss prospective B&I projects with those businesses still seeking a lender so that they can be better informed when they approach potential sources of credit.

ATTENTION LENDERS!

Whenever a lender begins to seriously consider a loan for a possible B&I guarantee, they are encouraged to call USDA to discuss the project on an informal basis. USDA can give at least a tentative indication as to the eligibility of the project for a B&I guarantee. If you decide to proceed with a project, we suggest you first submit a preapplication only (see below). This saves time by allowing USDA to review the project at an early stage and direct your efforts.

☞ A screening questionnaire for evaluating the suitability of potential B&I deals is shown on page 2.

THE APPLICATION PROCESS

A B&I application requires information from both the business and the lender, with the lender coordinating these efforts. The first step is to submit a preapplication (see Exhibit A-1) for USDA's review. No forms are required for a preapplication! USDA will then arrange a meeting with all parties, usually at the project site. If the project appears viable, the parties are encouraged to submit a complete application (see Exhibit A-2). Within 60 days of receiving a complete application (and normally more quickly), USDA will make a final approval decision. B&I loan processing is coordinated by the Oregon USDA Rural Development State Office, but to provide timely service, selected USDA loan officers around the state (see list on next page) do the processing. Loans under \$5 million are approved by the Oregon State Office; larger loans must be approved by USDA's National Office in Washington, D.C.

☞ An application flow chart is provided on the last page of this information sheet (Exhibit E).

FREE APPLICATION SOFTWARE

USDA has free software for completing all B&I application forms ("B&I Loanpack 2000"), which can be downloaded from: <http://www.rurdev.usda.gov/rbs/pub/softw/biloinpack.htm>

"ONE-DOC"

Note! Proposed B&I loans of ≤\$600,000 may be processed using an even more streamlined submittal. Refer to "Obtaining a B&I Guaranteed Loan with One-Doc" on our web site (see below).

B&I PROGRAM RESOURCES

Detailed information about the B&I program is available on the Oregon USDA Rural Development web site at: <http://www.rurdev.usda.gov/or/RBS%20internet%20folder/bi.htm>

B&I Program contacts in Oregon:

Northwestern Oregon:	Dan Streng, Rural Business-Cooperative Specialist 1201 NE Lloyd Blvd., Ste. 801, Portland, OR 97232 (503) 414-3368; fax 414-3397; dan.streng@or.usda.gov
Southwestern Oregon:	Tom Simonson, Rural Business-Cooperative Specialist 780 Bailey Hill Rd., Ste. 5, Eugene, OR 97402 (541) 465-6443 x119; fax 465-6483; tom.simonson@or.usda.gov
Central Oregon:	Curt Dixon, Rural Business-Cooperative Specialist 625 SE Salmon Ave., Bldg. A, Redmond, OR 97756 (541) 923-4358 x125; fax 923-4713; curt.dixon@or.usda.gov
Eastern Oregon:	Don Hollis, Rural Business-Cooperative Specialist 1229 SE Third St., Pendleton, OR 97801 (541) 278-8049 x129; fax 278-8048; don.hollis@or.usda.gov
Oregon State Office:	Jeff Deiss, Business & Cooperative Program Director 1201 NE Lloyd Blvd., Ste. 801, Portland, OR 97232 (503) 414-3367; fax 414-3397; jeff.deiss@or.usda.gov

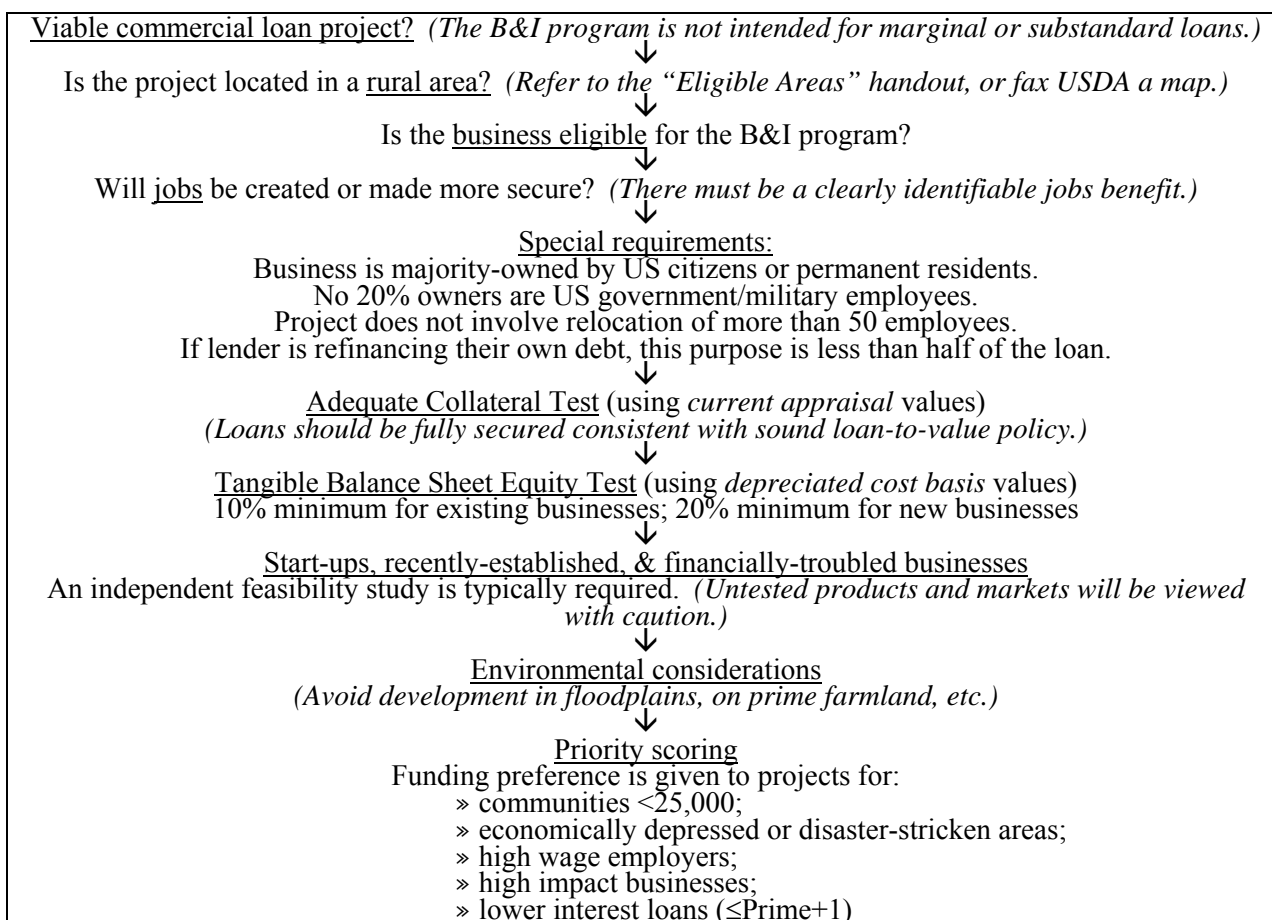
A quick method for lenders to evaluate B&I loan prospects:

Exhibit A-1 – Contents of a B&I Preapplication

The following items constitute a “preapplication” and should be submitted before a field visit can be made. (Note that no forms are required at this stage.)

Completed Jointly by the Lender & Applicant:

1. A *joint* letter, on the lender’s letterhead, detailing:
 - a. *The Lender* – contact person, tax ID number
 - b. *The Applicant* – address, phone, contact person, tax ID number
 - c. *The Business* – product or service, NAICS code, date established, organization, ownership
 - d. *Its Financial Position* – assets, equity, any delinquent debt
 - e. *The Project* – total cost, source & use of funds, detail of applicant contributions
 - f. *The Site* – size (acres), current state of development, surrounding land use
 - g. *Employment Impact* – # of full-time equivalent jobs before & after project
 - h. *Average wage rate* – of all employees at the project
 - i. *The Loan* – amount, proposed interest rate & term
 - j. *Collateral* – proposed collateral, lien position, security value
 - k. *Legal or regulatory concerns* – Disclose any pending adverse action against the applicant or its affiliates, officers, or principals; or indicate that there are none.

The letter must indicate the lender’s willingness to finance the proposal.

Completed by the Applicant:

2. A map (e.g., a street, topographic, or parcel map) showing the exact location of the business, and indicating where any construction will occur.
3. A current balance sheet and year-to-date income statement (no more than 90 days old) for the business (including any parent, affiliate, and subsidiary firms). (*NOTE: Assets should be **valued at cost less accumulated depreciation.***)
4. Accountant-prepared, year-end financial statements for the preceding 3 fiscal years (or, if a new business, for as long as the business has been in existence).
5. Detailed projected income statements, balance sheets, and cash flow statements for the next 2 years, with an explanation of the assumptions used in the forecasts. *If desired, projections may be submitted for the first year only, with the second year submitted later as part of the complete application.*
6. A business plan. *Existing businesses may elect to submit this with the complete application.*

Completed by the Lender:

7. A *pro forma* balance sheet, derived from the current balance sheet (item 3 above), showing the business’s new assets and debts once the proposed loan project is completed. (*NOTE: Assets must be **valued at cost less accumulated depreciation.***) Use of the format provided on Exhibit B (page 6) is recommended.

Exhibit A-2 – Items Needed for a B&I Complete Application

In addition to the items mentioned in Exhibit A-1, the following information is needed for a final decision on a B&I request:

Completed Jointly by the Lender and Applicant:

1. Form 4279-1, “Application for Loan Guarantee (Business & Industry).” If you are not using “B&I Loanpack”, the form is on-line at: <http://www.rurdev.usda.gov/regs/forms/4279-01.pdf>

Completed by the Lender:

2. The lender’s credit analysis of the proposed loan. This must include spreadsheets comparing the applicant’s past and projected financial statements, analyzing financial ratios, and comparing the business with industry averages.
3. A current appraisal of the property to be taken as security – real estate, equipment, etc. Real estate appraisals should be complete summary reports and must comply with the Uniform Standards of Professional Appraisal Practices. Equipment appraisals should report both a fair market value and an orderly liquidation value. (*NOTE: USDA has some discretion to approve a B&I guarantee subject to an adequate appraisal.*)
4. Credit reports. A commercial credit report on the applicant business, plus credit reports on all proposed personal and corporate guarantors (including all owners with a 20%-or-more interest in the business).
5. A draft of the lender’s proposed loan agreement with the borrower. Please note that it must address all of the following issues:

Negative Covenants:

- Limitations on purchase or sale of equipment and fixed assets.
- Limitations on compensation of officers and owners.
- Restriction on dividend payments.
- Restrictions concerning consolidations, mergers, or other circumstances.
- Prohibition against assuming liabilities or obligations of others.
- Limitations on selling the business without the concurrence of the lender.

Financial Standards Covenants:

- Minimum working capital or current ratio requirement.
- Maximum debt-to-net worth ratio.

Financial Reporting Requirements:

- Type and frequency of submission of financial statements. (*Note: The borrower and all guarantors must provide financial statements at least annually. Nonprofits and public bodies must meet federal audit standards in their financial reporting.*)

Completed by the Applicant:

6. Current (not more than 90 days old) financial statements on all owners of the business who will provide personal/commercial guaranties (normally, all owners with a 20%-or-more interest in the business).
7. Debt Collection Improvement Act certification. (Use format provided on Exhibit C on page 7.)

Exhibit A-2 – Items Needed for a B&I Complete Application (continued)

NOTE: The remaining items are only required in special cases.

Item 8 is only needed if the project involves a start-up business or one which has not yet established a sufficient profitable track record. USDA will determine whether or not this will be required:

8. A feasibility study – completed by an independent consultant agreed to by all parties -- addressing the economic, market, technical, financial, and management feasibility of the project. *It should be contracted by the lender, but the cost may be included in the loan.*

*Item 9 is only needed if the proposed loan is more than \$1 million **and** will increase direct employment by more than 50 employees:*

9. Form 4279-2, “Certification of Non-Relocation and Market Capacity Information Report.” If you are not using “B&I Loanpack”, the form is on-line at:
<http://www.rurdev.usda.gov/regs/forms/4279-02.pdf>

Item 10 is only needed if the loan will be secured by real estate:

10. FEMA Form 81-93, “Standard Flood Hazard Determination” (flood zone certification)

Items 11 & 12 are only needed if the project involves construction:

11. Form RD 1940-20, “Request for Environmental Information.” **Complete items 1, (not 2), 3, & 4.** USDA will advise you if it is necessary to contact the State Historic Preservation Officer (SHPO). **The earliest possible submittal of this is encouraged to expedite USDA’s environmental review.** If you are not using “B&I Loanpack”, the form is on-line at:
<http://www.rurdev.usda.gov/regs/forms/1940-20.pdf>

12. Supplemental environmental information outlined in Exhibit E on page 8.

Item 13 is needed if the loan will be real estate secured:

13. All completed lender environmental questionnaires and studies (e.g., Transaction Screen Questionnaire, VISTA, Phase I or Phase II site assessment – as applicable) on the real estate, along with any mitigation/clean-up cost estimates. *USDA may request further studies.*

Item 14 is only needed if the applicant will be a franchisee:

14. A copy of the Uniform Franchise Offering Circular (UFOC).

Item 15 is only needed if the project is a commercial rental facility (retail center, office building, etc.):

15. List of committed tenants – including type of lease (triple net, etc.), lease term (years and options to renew), square footage, rental rate per square foot, and monthly rent.

Exhibit B: *Pro Forma Tangible Balance Sheet Equity Calculation*

Recommended format for calculating pro forma tangible balance sheet equity.

Instructions:

1. Attach the current balance sheet from which the "Beginning Position" (column 1 below) figures are taken. Be sure that the "Beginning Position" values are based on depreciated book value (cost), not current market values. If the applicant's balance sheet is not prepared on a cost basis, provide an attachment explaining adjustments made to derive cost basis figures.
2. Deduct intangible assets (columns 2 & 3). Itemize intangible assets deducted in the explanation section below the table.
3. Debit and credit assets and liabilities (columns 4, 5, & 6) to reflect the effect of the B&I financing and other sources & uses of funds. Itemize debits and credits in the explanation section below the table. (Do not add assets which are intangible under Generally Accepted Accounting Principles -- e.g., take-out loan fees.)
4. Divide pro forma equity by pro forma total assets to determine % equity position.

Applicant: _____

Derived from Balance Sheet (attached) as of: _____

	1	2	3	4	5	6
	Beginning Balance Sheet Position	less Intangible Assets ¹	<i>equals</i> Tangible Beginning Position	<i>plus</i> Debits ²	<i>less</i> Credits ³	<i>equals</i> Pro Forma Tangible Position
Total Assets						
Total Liabilities						
Equity						
					%Equity =	

¹ Itemize intangible assets:

² Itemize debits:

³ Itemize credits:

Exhibit C: *
Certification pursuant to
Debt Collection Improvement Act of 1996

* A fillable version of this certification is available online at: <http://www.rurdev.usda.gov/or/RBS%20internet%20folder/glhelp.htm>

The undersigned has applied for assistance from USDA Rural Development's Business & Industry (B&I) guaranteed loan program. The following supplemental information is provided:

Is the applicant, or any party with a 20%-or-more ownership interest in the applicant, delinquent on any Federal debt?

☐ Yes. If "yes," attach an explanation.

☐ No.

To the best of my knowledge and belief, this certification is true and correct. The document has been duly authorized by the governing body of the applicant.

Signature

Date

Name of Applicant

Exhibit D: *

Supplemental Environmental Information

* A fillable version of this is available online at: <http://www.rurdev.usda.gov/or/RBS%20internet%20folder/glhelp.htm>

(Note: This information is only needed for B&I projects involving construction.)

Federal agencies are required by law to independently assess the expected environmental impacts associated with proposed Federal actions. It is extremely important that the information provided be in sufficient detail to permit Rural Development to perform its evaluation. Failure to provide sufficient data will delay agency review and a decision on the processing of your application.

This information request is designed to obtain an understanding of the area's present environmental condition and the project's elements that will affect the environment. Should you believe that an item does not need to be addressed for your project, consult with the RD office from which you received this form before responding. In all cases when it is believed that an item is not applicable, explain the reasons for this belief.

It is important to understand the comprehensive nature of the information requested. Information must be provided for (a) the site(s) where the project facilities will be construction and the surrounding areas to be directly and indirectly affected by its operation and (b) the areas affected by any primary beneficiaries of the project. The amount of detail should be commensurate with the complexity and size of the project, and the magnitude of the expected impact.

Provide responses to the following items:

(1) Primary Beneficiaries

Identify any businesses or major developments that will benefit from the proposal, and those which will expand or locate in the area because of the project.

(2) Area Description

- (a) Describe the size, terrain, and present land uses as well as the adjacent land uses of the areas to be affected. These areas include the site(s) of construction or project activities, adjacent area, and areas affected by the primary beneficiaries.
- (b) For each box checked "Yes" in item 3 of Form RD 1940-20, describe the nature of the effect on the resource.
- (c) Attach a detailed street map or topographic map showing the location of the project.
- (d) Attach a plot plan that clearly delineates the location of the project elements.
- (e) Provide photos of the site to be developed, including any structures now on the site, and photos of the surrounding area. Digital photos sent via e-mail are strongly encouraged.

(3) Historic/Archaeological Properties

- (a) Describe any structures that are 50 or more years old on the site and on contiguous parcels. (Be sure to provide photos of these structures.) Discuss any proposed activity that will affect these structures.
- (b) Indicate whether the project is located in the vicinity of a historical district.
- (c) Identify any known historic/archaeological resources within the project area that are either listed on the National Register of Historic Places or considered to be of local and state significant and perhaps eligible for listing in the National Register.
- (d) If available, attach any historical/archaeological survey that has been conducted for the project area.

(4) Public Reaction

- (a) Describe any objections which have been made to the project.
- (b) If a public hearing has been held, attach a copy of any transcript or resolution. If not, certify that a hearing was not held.
- (c) Indicate any other evidence of the community's awareness of the project such as through newspaper articles or public information.

(5) Mitigation Measures

Describe any measures which will be taken to avoid or mitigate any adverse environmental impacts associated with the project.

(6) Permits

- (a) Indicate any current zoning restrictions and the project's consistency with local land use plans.
- (b) Identify any permits which are needed for the project. Identify any city or county planning department that has jurisdiction over your project – i.e., from which a permit must be obtained. Provide the name and phone number of the contact person there.
- (c) Indicate the status of obtaining each such permit and attach any that have been received.

(7) Other Federal Actions

Identify other federal programs or actions which are either related to this project or located in the same geographical area and for which you are filing an applicative, have recently received approval, or have in the planning stages.

Exhibit E:

B&I Loan Application Flowchart